

This is the first of what we hope will be a series of informational hearings on subjects related to political campaigns and campaign finance.

The subject of today's hearing is the growth of independent expenditures benefiting candidates for State office. It is a situation that many believe is out of control – thwarting the will of the people.

The people of California have repeatedly voted to limit direct contributions to candidates for State office – most recently Proposition 34 in November of 2000. It was their desire and expectation that fewer special interest dollars find their way into campaigns. But thanks to an orgy of independent expenditures...just the opposite has occurred.

Here's the theory behind independent expenditures. The people may enact laws limiting direct contributions to candidates in order to avoid the possibility or appearance of undue influence over the candidate or office holder.

But unlimited contributions to independent expenditures are okay – the theory goes – because even though the money is being spent to benefit a candidate, it isn't being given directly to him or her.

Therefore – again, according to theory – there is no possibility of undue influence. That theory defies logic.

Of course, there once was a theory that the world was flat. Some people still believe it. But, I want to emphasize that the purpose of this hearing is not to debate legal issues regarding independent expenditures.

This is not a law school legal symposium. We are not the legislature or the Supreme Court. The law is what the law is. The statutes we are charged with enforcing are what they are.

What I hope this hearing will be about is what we, as a Commission, can do under our existing authority to provide greater disclosure.

We have a brief power point presentation – prepared by our staff based on information laboriously culled from filings with the Secretary of State's office.

The presentation deals solely with candidates for State office. We are not looking at ballot measures or candidates for local office.

The presentation clearly and dramatically demonstrates an astounding increase in independent expenditures since voters thought they were tamping down campaign spending by approving Proposition 34.

As you view these slides, note that for legislative candidates, Proposition 34 was in effect for the 2002 elections.

But for statewide candidates, the limits did not take effect until after the 2002 election.

SLIDE NO. 1. Since the passage of Proposition 34, more than 88 million dollars have been spent on independent expenditures benefiting candidates for State office.

SLIDE NO. 2. Let's look at independent expenditures benefiting legislative candidates. In 2000, when there were no contribution limits, total spending on independent expenditures was \$376,000. By 2006, with contribution limits, independent expenditures benefiting legislative candidates totaled \$23.48 million – that's a 6,144% increase in just 6 years!

SLIDE NO. 3. Now, let's look at statewide candidates. In 2002, there were still no limits on direct contributions to candidates for statewide office. The total amount of independent expenditures benefiting all statewide candidates in 2002 was \$526,000.

By 2006, with contribution limits in place, total independent expenditure spending had jumped to \$29.47 million – that's a 5,502% increase in only four years!

We have seen that since the passage of Proposition 34 began to phase in limits on direct contributions to candidates for State office, more than \$88 million has been spent on independent expenditures benefiting candidates for State office.

\$42 million of that has come from just 10 Independent Expenditure Committees.

SLIDE NO. 4. So, who are the 10 that spent \$42 million on independent expenditures? This slide shows the top five. Groups with names like Californians for a Better Government, Alliance for a Better California, and First Americans for a Better California made expenditures ranging from \$3.5 million dollars to nearly \$10 million dollars.

SLIDE NO. 5. The next 5 included groups named Strengthening Our Lives Through Education, Team 2006, CA Alliance for Progress and Education, and Working Californians.

Collectively these 10 organizations have spent \$42 million dollars since 2002 on independent expenditures benefiting candidates for State office.

So, who's funding them? Who are the top 10 contributors to the top 10 Independent Expenditure Committees?

The next 2 slides show the top 10 contributors in descending order. They range from a high of more than \$6 million dollars to a low of more than \$1.2 million dollars.

These contributions came from wealthy developers, Indian tribes, and labor unions.

So these are the top 10 contributors to the 10 groups that spent \$42 million on independent expenditures benefiting candidates for State office since 2002.

Now, the next 3 slides show the percentage of independent expenditure spending in 3 different races – 1 statewide general election and 2 legislative primary elections – 1 Democrat and 1 Republican.

SLIDE NO. 8. This slide depicts the general election for Controller in 2006.

The total amount of spending was nearly \$9 million dollars.

Combined, the 2 candidates spent only 36% of the total.

Independent expenditures amounted to 64% of the total.

SLIDE NO. 9. This slide represents the Democratic Primary in the 34th Senate District in June 2006.

There were 2 candidates in the primary. Total spending was nearly \$2 million dollars.

The 2 candidates spent just 39% of the total.

But, independent expenditures amounted to 61% of the total.

SLIDE NO. 10. This final slide represents the 2-candidate race in the Republication Primary in the 63rd Assembly district in 2004.

Total spending was over \$1.4 million.

Independent expenditures amounted to 43% of the total.

We are going to hear from several speakers on the subject of independent expenditures benefiting candidates for State office. But, before we begin, I want to particularly ask each of our speakers to share, during their presentations, any ideas they may have on how this Commission can act, within our existing authority, to shed greater light on these issues and, hopefully, offer us some concrete suggestions.